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Comptroller General  
of the United States

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## Decision

**Matter of:** Star Mountain, Inc.

**File:** B-285883

**Date:** October 25, 2000

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William W. Goodrich, Esq., Richard J. Webber, Esq., and David Vogel, Esq., Arent Fox Kintner Plotkin & Kahn, for the protester.

James J. McCullough, Esq., Steven A. Alerding, Esq., and Catherine E. Pollack, Esq., Fried, Frank, Harris, Shriver & Jacobson, for National Center for Housing Management, Inc., an intervenor.

Philip E. Adams, Esq., Department of the Navy, for the agency.

Paul E. Jordan, Esq., and John M. Melody, Esq., Office of the General Counsel, GAO, participated in the preparation of the decision.

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### DIGEST

1. In a solicitation for a fixed-price contract that provided for a price realism evaluation, agency's failure to downgrade awardee's proposal for lack of understanding was reasonable where the record shows that the agency's analysis included examining the awardee's supporting cost data and comparing its proposed prices with those of other offerors and a government estimate, and awardee's proposal, oral presentation, and discussions concerning low prices, reasonably were found to demonstrate its understanding of the solicitation's requirements.

2. Where past performance evaluation scheme provided for consideration of offerors' recent experience with services similar to those solicited, agency reasonably evaluated non-incumbent offeror as outstanding based on its extensive experience performing similar work.

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### DECISION

Star Mountain, Inc. protests the award of a contract to the National Center for Housing Management, Inc. (NCHM) under request for proposals (RFP) No. N68836-00-R-0010, issued by the Fleet and Industrial Supply Center (FISC), Department of the Navy, for training services. Star, the incumbent contractor, challenges the agency's price realism and past performance evaluations.

We deny the protest.

The RFP sought training services for the Family Housing Management Institute (FHMI). The FHMI is responsible for providing housing management training for civilian and military personnel of the Navy, Air Force, and other government services, and certain contractor personnel. The goal of the course instruction is to provide these personnel with a thorough understanding and working knowledge of broad policies and job-level procedures required to manage the Navy and Air Force housing programs. According to the statement of work (SOW), the training services include course instruction, curriculum and course material maintenance, and in some instances curriculum development. Courses are structured into lectures, simulations, discussions, exercises, and group projects covering topics such as housing assignment, housing management, financial management, and facilities contracting. Training is to be presented at five regional locations, including: FHMI Jacksonville, Florida (or anywhere east of the Mississippi River); San Diego, California (or anywhere west of the Mississippi River); Hawaii; Japan (or anywhere in the Far East); or Europe. The RFP, as amended, contemplated the award of a fixed-price (with some cost reimbursable items) requirements contract for a base year, with 4 option years.

Proposals were to be evaluated on a best value basis applying three equally weighted factors: past performance, technical, and cost/price. The past performance evaluation included review of offeror-submitted evidence of successful efforts in similar work. The technical evaluation included review of the offerors' information on key personnel, management plan, and quality control plan. The cost/price evaluation included review of the offerors' section B unit and extended prices, along with "supporting cost data."<sup>1</sup> The RFP also provided that cost/price proposals would be evaluated for realism in regards to the relationship between the proposed Cost/Price and the technical proposal." RFP § M.52.217-5(e).

Four offerors, including NCHM and Star, submitted proposals by the May 1, 2000 closing time. One of the four withdrew its proposal and another proposal was found technically unacceptable. In evaluating Star's and NCHM's proposals, the contracting officer found pricing disparities in both. Accordingly, the contracting officer determined to open discussions with both offerors to resolve the pricing issues. The contracting officer also decided to allow oral demonstrations to assist the government in determining whether each offeror had a clear understanding of

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<sup>1</sup> The RFP did not specify the level of detail for the cost data apart from identifying under which contract line items (CLIN) the costs for certain items were to be included. For example, travel and per diem expenses for instructors, as well as instructor compensation for authorized travel days and rest days, were to be included as part of the applicable zone travel CLIN. RFP §§ C.6.04, C.6.14.

the RFP requirements and to assist the government in determining which offeror had the best technical approach.

Based on the offerors' 2-hour oral presentations, the evaluators concluded that each had demonstrated their understanding of the requirements. While both offerors' proposals contained some weaknesses, the evaluators concluded that neither proposal contained deficiencies and that both proposals' strengths exceeded their weaknesses. After conducting discussions with both offerors, the agency obtained best and final offers (BAFO). After amending the RFP to convert the contract from an indefinite-delivery/indefinite-quantity type to a fixed-price requirements type, the agency allowed the offerors to submit revised BAFOs. The final evaluation results were as follows:

Factor\Offeror	Star	NCHM
Past Performance	Outstanding	Outstanding
Technical	Good	Good
Cost/Price	\$8,004,255.93	\$7,002,768.21

Since both offerors' proposals received the same ratings under the past performance and technical factors and NCHM's proposed price was almost \$1 million lower than Star's, the contracting officer determined that NCHM's proposal represented the best value and awarded NCHM the contract. After receiving notice of the award, Star requested and received a debriefing, and then filed this protest with our Office. In Star's view, the award determination was flawed because the underlying technical and past performance evaluations were unreasonable.

## EVALUATION OF PROPOSALS

In reviewing protests against allegedly improper evaluations, our Office will examine the record to determine whether the agency's determination was reasonable and consistent with the evaluation criteria listed in the solicitation. Hattal & Assocs., B-243357, B-243357.2, July 25, 1991, 91-2 CPD ¶ 90 at 7. Evaluation judgments, by their nature, are often subjective; nevertheless, the exercise of these judgments in the evaluation of proposals must be reasonable and bear a rational relationship to the announced evaluation criteria. Southwest Marine, Inc.; American Sys. Eng'g Corp., B-265865.3, B-265865.4, Jan. 23, 1996, 96-1 CPD ¶ 56 at 10.

Star alleges that NCHM's "unrealistically low" prices were not adequately supported by its cost data, and essentially indicated a lack of understanding of the RFP requirements. Star concludes that the technical evaluation lacked a reasonable basis because the agency did not use NCHM's "low" prices to downgrade the awardee's technical proposal. In this regard, as indicated, the RFP here provided that an offeror's cost/price proposal would be evaluated for realism regarding the relationship between the proposed cost/price and the technical proposal. RFP § M.52.217-5(e). It also provided that "[u]nrealistic personnel compensation

rates or other cost elements may also be considered in the technical evaluation . . . which could result in [a] lower technical evaluation based on risk analysis.” Id.

Cost realism ordinarily is not considered in the evaluation of proposals for a fixed-price contract such as the one involved here, since a fixed-price contract provides for a definite price and places the risk and responsibility for all contract costs and resulting profit or loss upon the contractor. Volmar Constr., Inc., B-272188.2, Sept. 18, 1996, 96-2 CPD ¶ 119 at 5. Rather, in a fixed-price contract, the purpose of a price analysis generally is to ensure a fair and reasonable price, given the circumstances surrounding the acquisition. Medical Dev. Int’l, B-281484.2, Mar. 29, 1999, 99-1 CPD ¶ 68 at 13. An agency may provide, as here, for the use of a price realism analysis in a solicitation for the award of a fixed-price contract for such purposes as measuring an offeror’s understanding of the solicitation’s requirements and assessing the risk inherent in an offeror’s proposal. Consolidated Eng’g Servs., Inc., B-279565.5, Mar. 19, 1999, 99-1 CPD ¶ 76 at 10. The Federal Acquisition Regulation (FAR) provides a number of price analysis techniques that may be used to determine whether prices are reasonable and realistic, including comparison of the prices received with each other; comparison of previously proposed prices for the same or similar items; comparison with independent government estimates; and analysis of pricing information provided by the offeror. FAR § 15.404-1(b)(2). The nature and extent of an agency’s price realism analysis ultimately are matters within the sound exercise of the agency’s discretion. Cardinal Scientific, Inc., B-270309, Feb. 12, 1996, 96-1 CPD ¶ 70 at 4.

Based on our review of the record, we find that the agency performed a reasonable price realism analysis, and reasonably concluded that NCHM understood the requirement. The record shows that the contracting officer independently evaluated NCHM’s proposal, looking at the offeror’s understanding of the requirement and checking its cost information to ensure that its key personnel would be compensated fairly so as not to impose undue risk on contract performance. Agency Report at 12. Specifically, the contracting officer compared all offerors’ proposed prices with other offerors’ prices to determine “market pricing.” She also compared them with an independent government estimate, which included assumptions based on CLIN requirements, costs incurred under the current contract, and other estimated pricing for course revision, instructor guide development, certification courses, and regional travel for instructors, assistant instructors, and guest speakers. Pre-Clearance Business Memorandum at 4-6, attachs. 7-11. To facilitate these comparisons, the agency prepared a CLIN-by-CLIN price abstract for all offerors at each stage of the evaluation. Agency Report, Tabs 6, 27. Based on these comparisons, the agency identified price disparities in 34 CLINs including those associated with course development instructor guides, course presentation, course travel charges, pay for assistant instructors and guest speakers, and course revision. In this regard, the agency observed that NCHM’s proposal prices were higher than Star’s on some CLINs, while Star’s were higher than NCHM’s on others.

Subsequently, the agency conducted price discussions with the offerors to resolve these and other price issues. Specifically, negotiations with both offerors addressed travel CLINs to clarify how they were to be priced, and course development CLINs “to ensure appropriate effort [was] given to Course Development, Final Draft and Instructor Guide.” Post-Negotiation Business Clearance Memorandum at 3-4. Further, the agency specifically addressed travel costs with NCHM and a number of course presentation CLINs, the prices for which appeared low. *Id.* As a result of these discussions, NCHM raised some of its prices and otherwise explained that its status as a nonprofit organization with its primary business emphasis in housing management, coupled with its in-house capabilities (including printing equipment and in-house experts and instructors), allowed it to offer lower prices by avoiding substantial subcontract costs and the attendant additional profit. *Id.* at 4. In addition, the agency considered that both offerors proposed “mostly [the] same key personnel [who] are familiar with the requirement.” Agency Report, Contract Specialist’s Workpapers, Tab 26, at 2. In this regard, the agency found that NCHM had included letters of commitment from these key personnel stating that they had mutually agreed to the terms of salary, fringe benefits and positions, such that there did not appear to be any risk that either offeror would be unable to retain professional personnel. The agency took these observations and NCHM’s explanations into consideration in determining that NCHM’s prices were realistic and that it understood the requirement. Agency Report at 13-15. In our view, based on this detailed price analysis, coupled with discussions to resolve questioned prices, the agency conducted a reasonable and thorough price realism analysis in accordance with the RFP’s requirements.

Having concluded that NCHM’s prices were realistic, the agency had no basis to conclude that NCHM’s pricing showed a lack of understanding that would warrant downgrading its technical proposal. In this regard, NCHM’s technical proposal and oral presentation provided a detailed explanation of how NCHM intended to perform the contract, from which the evaluators reasonably concluded that NCHM “demonstrated a very high understanding of the [SOW].” Agency Report, Tab 16. For example, during the oral presentation, NCHM described in detail its capabilities, resources, relevant experience, and transition plan, and presented a matrix showing its qualified staff, including incumbent instructors and management personnel. Agency Report, Tab 15. During questioning by the agency, NCHM also demonstrated its understanding by describing its contingency plans to provide coverage for instructors who became ill or otherwise unavailable, including its current ability to provide two or more instructors for every existing course and its proposal to have a minimum of [deleted] qualified instructors for all courses.<sup>2</sup> Agency Report, Tab 15, Video Tape of Oral Presentation, at 1:52.

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<sup>2</sup> The matrix shows [deleted] instructors qualified to teach the 14 existing courses, plus [deleted] instructors in training to deliver courses as needed. The matrix also  
(continued...)

Notwithstanding the detailed evaluation conducted by the agency, Star maintains that the price realism analysis was insufficient because it failed to consider a number of CLIN prices proposed by NCHM which allegedly represented an insufficient level of effort or otherwise failed to include certain cost elements which Star included in its own proposal. Again, however, the nature and extent of an agency's price realism analysis are matters within the agency's discretion. Arctic Slope World Servs., B-284481, Apr. 27, 2000, 2000 CPD ¶ 754 at 13; Cardinal Scientific, Inc., *supra*. The fact that the agency may not have closely examined certain specific costs or did not reach the same conclusions regarding the level of effort for each CLIN identified by Star does not render the evaluation unreasonable. In this regard, even where a cost realism analysis is required (which was not the case here), an agency is not required to conduct an in-depth analysis of each and every item. Allied Tech. Group, Inc., B-271302, B-271302.2, July 3, 1996, 96-2 CPD ¶ 4 at 7.

Moreover, even if we agreed that the agency was required to conduct a price realism analysis in the depth argued by Star, based on our review of the record, none of the matters identified by Star provides any basis for questioning the agency's conclusions that NCHM's prices were realistic and that NCHM understood the RFP requirements.<sup>3</sup> In this regard, Star's arguments are based on a comparison of its supporting cost data with NCHM's. From our review, the differences in the price proposals are attributable more to a difference in approach by the offerors rather than to NCHM's lack of understanding.<sup>4</sup>

For example, Star asserts that "NCHM bid a fraction of the people, hours, and dollars that were bid by [Star]" for course presentation CLINs. Protester's Comments at 10. Yet, while Star shows a higher cost for [deleted], both offerors proposed the same

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(...continued)

shows at least [deleted] qualified instructors for eight courses and [deleted] for the other six.

<sup>3</sup> Star identifies a number of CLINs and "required" costs which NCHM ostensibly failed to include. For example, with regard to costs associated with required rest days and instructor compensation for those days, NCHM's cost support accounts for the rest days and per diem for them but, unlike Star's, does not include [deleted] for them. NCHM explains that most of [deleted], and that it is not NCHM's policy to [deleted]; thus, it did not include additional costs for [deleted]. Because the RFP simply required that this cost be included under particular CLINs and did not otherwise set a minimum for this compensation, there was nothing in NCHM's approach that warranted downgrading its proposal.

<sup>4</sup> There were 21 course presentation CLINs for the base year and each option year. On seven of these CLINs, NCHM proposed a higher price than did Star. Of the remaining 14 where NCHM's proposed price was lower than Star's, the agency specifically discussed NCHM's lower prices on eight CLINs.

amount of time for presentation of the courses. Star's higher prices for the CLINs are due to its approach of including for all such CLINs [deleted].<sup>5</sup> In contrast, NCHM included its costs for the project manager and program coordinator in overhead, as required by the RFP. RFP §§ C.12.02, C.12.04. In addition, for all but the subcontractor CLINs, Star included more than twice as much [deleted] for each course as NCHM did, and included [deleted] costs identified for [deleted] for each (non-subcontracted) course, which in most cases was [deleted] the cost of the [deleted] for that course. However, nothing in the RFP required a special speaker, training time for other instructors, or research visits for all course offerings. NCHM states that it recognized that the cost of replacement instructors would not be in addition to that of the intended instructor and thus did not warrant a separate cost, and explains that the cost for the limited number of necessary training and research visits was included in its overhead costs. NCHM's Supplemental Comments at 20. Since a significant amount of extra cost is included in [deleted] that is covered in overhead in NCHM's proposal, there was no basis for the agency to conclude that Star's approach of assigning higher prices to certain CLINs was more realistic than or otherwise superior to NCHM's.<sup>6</sup>

#### PAST PERFORMANCE

Section L of the RFP, entitled "PROPOSAL REQUIREMENTS" (at 245) identified the information that offerors were to include in their proposals with regard to past performance:

Include evidence of successful efforts in similar work, to verify that the Offeror has an established professional reputation in the full integration of managing, developing, conducting and administering training programs of a similar nature (including course development, course maintenance and presentation). . . . The experience may include work accomplished for Government and non-Government entities.

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<sup>5</sup> For all but the subcontractor CLINs, Star also included [deleted] in the course presentation CLINs. While the [deleted] are listed with a [deleted] overhead rate, the [deleted] is listed with a [deleted] rate for the majority of these CLINs. Protester's Comments, exh. 2.

<sup>6</sup> As noted by NCHM, the difference in prices proposed is also attributable to the fact that Star's proposal includes a profit rate of [deleted] and a G&A rate of [deleted], while NCHM's proposal includes a fee of only [deleted] (depending on the CLIN) and a G&A rate of [deleted]. NCHM's Comments at 6. In addition, NCHM's labor costs for instructors, based on its in-house staff of experts ([deleted] per hour), are significantly lower than Star's consultant costs for instructors ([deleted] per hour). Id.

Provide a chronological matrix of recent corporate experience within the last five (5) years, in which performance has occurred of a comparable nature and complexity. It is not sufficient to state an effort is comparable in magnitude and scope. Rationale must be provided to convince the Government that the experience is indeed comparable. [Emphasis added.]

In order to be rated as outstanding, an offeror's past performance had to "clearly and consistently demonstrate[ ] a commitment to customer satisfaction and timely delivery of quality services," as well as have "significant and documented recent experience with similar services." Proposal Evaluation Plan, § 1.11.2.d.

Star, citing its status as the incumbent contractor, asserts that NCHM's past performance information does not meet the RFP's "similarity" standard quoted above. Star maintains that NCHM has not performed a contract as large as the incumbent effort, and that NCHM's other experience cannot reasonably be considered comparable in magnitude and scope to that covered by the RFP. From our review of the record, we conclude that the evaluation in this area was reasonable and consistent with the RFP's evaluation criteria. Hattal & Assocs., supra.

NCHM's proposal contained three pages of information on its past performance, including one page of narrative; a second containing a matrix with detailed descriptions of 12 individual-course contracts performed between 1997 and 2000, ranging in value from \$8,544 to \$24,960; and a third listing 12 military courses and 48 other programs it performed from 1997 to 2000, along with references and their telephone numbers. The contracting officer contacted a number of the references and received consistent comments indicating that, from both quality and delivery standpoints, NCHM provided excellent services. Agency Report at 17-18. With regard to the similarity of the services NCHM had provided, the agency observed that NCHM was established by Executive Order No. 11,668 (3 C.F.R. 706 (1971-1975)) to perform the following functions: develop training in educational programs for housing management and personnel; cooperate with public and private national, state, and local organizations and institutions in extending housing management training and educational opportunities; and develop improved housing management practices and assistance in making professional the housing management industry. In addition, the agency noted that, under the terms of the RFP, all offerors, including Star, were required to contract with NCHM to meet certain course certification requirements.

While the individual contracts listed in NCHM's proposal are small compared to the protester's incumbent contract, the record shows that NCHM regularly performs a volume of work that is at least equivalent to (and actually appears to exceed) that required under the current contract or the RFP. In this regard, the agency recognized that NCHM offered 250 certification courses each year and had conducted more than 2,000 training certification programs worldwide in the past 5 years. Further, NCHM's organization is structured to routinely run more than 30,



3-day certification courses every month “in almost every city in the nation.” NCHM Proposal, Tab 1. By way of comparison, the contract requirements under this RFP call for approximately 45 courses per year, or fewer than four courses per month, a level of effort currently performed by NCHM every 2 months. NCHM Supplemental Comments at 25. This information established a reasonable basis for the agency’s evaluation of NCHM’s proposal as outstanding in this area.

#### BEST VALUE

Star argues that the best value determination was flawed, because technical factors were of greater importance than price, and the agency’s determination failed to take into account the evaluation errors Star alleges in its protest. However, since we have found that there was nothing unreasonable or objectionable in the agency’s evaluation, there is no basis to question the determination that the proposals were technically equal and that NCHM’s proposal represented the best value due to its lower price.

The protest is denied.

Anthony H. Gamboa  
Acting General Counsel